

Shipper beware – look before you leap

Freight forwarders, when they're acting as IATA agents, are like travel agents. If you want extra service, good communication and someone to take care of the detail, you use a freight forwarder. If you want it cheap and cheerful, you can, in the Netherlands, book online – at least, that's the theory.

The process for a passenger or a shipment getting from one place to the other is basically the same: something or someone starts at a specific address, goes to the airport, gets on a plane, arrives at the destination airport and ends up at another address. But the devil is in the detail.

In the first place, a shipment can't walk and ask directions. It depends on numerous people to make sure it gets to the airport, onto the right plane, off-loaded in a timely manner and delivered to the right place. That's what freight forwarders are for: getting a shipment through a maze of obstacles to where it's supposed to be, on time.

However, a shipment doesn't always need a travel agent to get to the other side of the world. Shipments have been moving by sea for decades without a freight forwarder involved. But every shipper knows that you can't give everything directly to a shipping line. Try giving a shipping line a 100kg shipment, or for that matter, anything 'LCL', and see what happens.

There is a precedent for shippers going directly to airlines. Shipping by air didn't always involve freight forwarders, at least not in the US. As shipping by air become more popular and vital to industry, freight forwarders emerged. Not to act as a middle-man, get in the way, or, as some would say, "make money for nothing".

Their role was to add value. Of course, shipping by air domestically in the US didn't have the customs complications it did in Europe. It was easier. Neither was there the "if you deal directly with the shipper you'll never get another stick of freight from me" freight forwarder attitude to the airlines. Instead, market forces came into play. If the shipper wanted dependability and something to get there fast, he'd use a freight forwarder. If it was big and he wanted a slow and cheap service, he'd go directly to the airline.

Forwarders specialised in having cartage systems that would scoop-up shipments from the shipper at the end of the day, get them back to their airport facility, combine them with other shipments and get them delivered the next morning – pretty much any-

Larry Woelk warns shippers to think before they decide to 'deal direct' with airlines. Any serious delay may make the forwarder's margin seem worth paying

where in the US domestic market.

Of course, there were plenty of direct flights internally in those days and most airlines ran fleets of domestic freighters.

There was no antagonism between forwarders and airlines. In fact, they would meet regularly to give each other leads. If a shipper was trying to give a freight forwarder big shipments that would clog-up his system, he'd advise an airline so it could contact the shipper directly. If an airline was being pestered with small shipments it didn't have the system to handle, it would let a freight forwarder know.

Air freight developed differently in markets outside the US, particularly in Europe and particularly because of the customs factor. Outside the US in a non-domestic market, if a shipper wanted something to get there fast and with special attention, he'd go "direct IATA". If he wanted a slow, cheap service, he would send it in "consolidation". In both cases, the freight forwarder would provide the handling.

The US system withered with the rise of fuel costs which resulted in a reduction of flights. In stepped FedEx, which sopped-up the small, urgent shipments. The airlines no longer had the lift to handle big shipments, so freight forwarders took them and moved them on the road.

The new portal in the Netherlands, in many ways, is just letting shippers do what they did three or four decades ago in the US: go directly to airlines for big shipments. It's not the first forwarder-bypass initiative. KLM put forward the same argument at the end of the last century to reduce shipper costs and speed up shipments by dealing direct with shippers. KLM was blacklisted by the freight forwarding community and quickly withdrew its "offering".

If shippers do use the portal, they will have to go in with their eyes open. Shipping internationally by

air doesn't have the same easiness as it did in the US domestic market. Say what you want about the margin a forwarder gets "for sticking a few labels on a shipper-built pallet", but he does a lot for that margin besides just labelling. In any case, forwarders do not make big margins moving big shipments, they make their money on the small stuff.

And anything weighing up to a few hundred kilos would cost the shipper more if he went directly to an airline. As in the US domestic case, airlines don't want to be pestered with lots of little shipments. Because a forwarder consolidates small consignments together, he gets a lower rate from the airline than what he charges the shipper.

Forwarders use the weight to increase the tonnage they give to an airline, which gives them lower rates so they can make more money with the smaller shipments. Their margins on heavy shipments are usually well into single figures, and sometimes practically zero. Market forces seem to work, because all you have to do is look at a freight forwarder's balance sheet to see it is not making fortunes from moving air freight. And how long will it take for the airlines to pull a "Ryanair" and charge for labelling, paperwork completion, e-mail advises and so on.

Any forwarder will tell you that moving cargo through an airline is not an easy and efficient process – long queues to drop freight off, a trail of paperwork that would choke a horse, security procedures you have to follow by the letter that vary from country to country and are constantly changing, poor communication on the whereabouts of a shipment, inefficient IT systems, lack of or late information on the status of a shipment at destination, delays in availability from the airline shed and so on. I'm exaggerating a bit, but any one of the above could happen on any shipment.

Shippers should beware if they decide to go direct. They may not have the contacts, knowledge or time to "manage" a shipment with an airline. A serious delay here or there just might make that freight forwarder margin seem well worth paying.

Freight forwarders are aware of these obstacles, which is probably why they're not talking about black-listing the airlines this time around.

Larry Woelk is director of international and business development at BIS Henderson Search & Recruitment

A fight to the death

Everyone involved in container haulage in the UK is suffering from a nightmare scenario they are desperate to wake up from.

The rail boxcarriers are being undercut to the bone by road hauliers, who are offering their services at "suicidal rates" – some working for no profit at all, just to keep the lifeblood of any firm, cash, flowing through the books.

This week, MD of Freightliner Adam Cunliffe says you can't blame shipping lines for taking hauliers up on ludicrously cheap offers, but argues that the situation is not sustainable.

Hauliers clearly aren't thinking of the long-term; some are struggling to keep their businesses afloat.

It raises the unlikely question of whether lines should reject offers from firms if they know they are too low. But who would do that?

It's a strange notion – not going for the cheapest deal – but competition is gradually being shredded. Hauliers who can't afford what they offer are slowly dying, and rail firms just can't compete.

It will be up to the lines to take a stand, not just if they can afford it, but because they know it is the right thing to do – just as they have been saying to their own customers.

Unfortunately, there is also the notion that if firms go bust, so what? There is always another transport firm out there to fill its place.

A world of their own

One of the more interesting comments several prominent air freight forwarders have made this week on the subject of the capacity squeeze and freight rate rises on the Asia-Europe trade is how unrealistic many shippers seem to be in regards to the movement of their own cargo. It has been repeatedly said that shippers have no concept of the problems forwarders are facing – that when their cargo misses a flight they have become increasingly unreasonable in their demands; for example, claiming that other shippers are being given priority when in actual fact there is simply a growing queue.

It is particularly pertinent that this should happen now, just as shippers are talking up their desire to book directly with the airlines... well, what a baptism of fire that would be.

Pirates spread out

It seemed that for a while piracy in the Gulf of Aden had disappeared, but it has emerged that the pirate attacks had simply slowed because rain stopped play.

Part of the reason for the assumption was because the news media had stopped talking about issues surrounding piracy.

This could be because it could no longer rely on the attention-grabbing headlines that came hand-in-hand with kidnappings and ransom demands. But whatever the reason, the issues seafarers face with pirates could be getting a lot harder to solve.

It has emerged that as navy patrols and convoys have increased, the pirates have started roaming further afield in search of more vulnerable prey.

While there are plenty of options governments and shipowners could take to help reduce risk, the truth is that the problem will not go away until a functioning government returns to Somalia. And this is something that appears to be a very long way off.

Readers are invited to submit opinions for publication. Please contact the Editor (see below)

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Contacts

Editor: Gavin van Marle
+44 (0) 20 7017 4659

Executive editor: Will Waters
extension: 4699

Features editor: Isabel Lesto 4662

Chief reporter: Damian Brett 4247

Web editor: James Falkner 4697

Asia correspondent: Michael King
Tel: +62 81 338 688 118
michael@borderline.eu.com

Gulf correspondent: Leena Mathew
Tel: +971 50 518 6652
leenmat@gmail.com

Production manager: David Badger 4689

Ads production: Shane Harry 4546

Marketing manager: Louise Canfield 4088

Paid subscription enquiries: 4192
leyla.utman@informa.com

Circulation enquiries:
ifw.subscriptions@informa.com

Telephone: +44 (0) 20 7017 + extension
E-mail: first name.surname@informa.com

Global advertising sales team

Group sales director: Fergus Gregory 6773

Senior sales executive:
Amir Eshaghzadeh 4184

Account executive: Aaron Grieve 4284

Classified and recruitment
sales executive: Diane McKenna 6778

Senior classified sales executive:
Jenny Morris 4238

Northern UK sales manager: John Saunders
Tel: +44 (0) 151 427 6800
Fax: +44 (0) 151 427 1796
ifw@jlsaunders.com

Russia, Ukraine, Uzbekistan and Kazakhstan:
Sergey Stanovkin Tel: +7 495 7750735
consulting@dars.ru

Dars Consulting can accept local currency payments on behalf of IFW

Finland sales agent: Leena Salo
Tel: +358 10 617 2500
Fax: +358 10 617 2555
leena.salo@smi-media.fi